

**FIRST JUDICIAL DISTRICT**  
**PUBLIC DEFENDERS' OFFICE**  
**CADDO PARISH, LOUISIANA**  
**JUNE 30, 2017**

FIRST JUDICIAL DISTRICT  
PUBLIC DEFENDERS' OFFICE  
CADDO PARISH, LOUISIANA

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the financial performance of the First Judicial District Public Defenders' Office, Caddo Parish, provides an overview of the Office's financial activities for the year ended June 30, 2017. Please read it in conjunction with the Office's financial statements, which begin on Page 3.

### USING THIS REPORT

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on Pages 3 and 4) provide information about the activities of the Public Defenders' Office as a whole and present a longer-term view of the Office's finances. For governmental activities, the fund statements tell how these services were financed in the short-term as well as what remains for future spending.

#### Reporting the Public Defenders' Office as a Whole

Our analysis of the Office as a whole begins on Page 3. One of the most important questions asked about the Office's finances is, "Is the Public Defenders' Office as a whole better off or worse off as a result of the period's activities?" The Statement of Net Position and the Statement of Activities report information about the Office as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Office's *net position* and changes in them. You can think of the Office's net position - the difference between assets and liabilities - as one way to measure the Office's financial health, or *financial position*. Over time, *increases or decreases* in the Office's net position are one indicator of whether its *financial health* is improving or deteriorating.

#### Reporting the Office's Most Significant Funds

The fund financial statements also begin on Page 3 and provide detailed information about the most significant funds - not necessarily the Office as a whole.

*Governmental funds (General Fund)* - All of the Office's basic services are reported in a governmental fund, which focuses on how money flows into and out of this fund and the balances left at period-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Office's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Office's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation included on the financial statements and in Note 1.

### THE PUBLIC DEFENDERS' OFFICE AS A WHOLE

The figures reflecting net position can be used to indicate the Office's financial position at that time or over a period of time. At the close of the most recent fiscal period, the Office's net position totaled \$237,866. Of this figure, \$30,635 is its investment in capital assets such as equipment, furniture, computers, etc. The

remaining portion of net position of \$207,231 is unrestricted. The Office's total net position changed from June 30, 2016, increasing by \$367,302, or 284% resulting from an increase in current and other assets. Net position is shown below.

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current and other assets	447,783	127,431
Capital assets	<u>30,635</u>	<u>33,769</u>
Total assets	478,418	161,200
Long-term liabilities	<u>240,552</u>	<u>290,636</u>
Total liabilities	240,552	290,636
Net position:		
Invested in capital assets, net of related debt	30,635	33,769
Unrestricted income (deficit)	<u>207,231</u>	<u>(163,205)</u>
Total net position income (deficit)	<u>237,866</u>	<u>(129,436)</u>

#### THE OFFICE'S ACTIVITIES

The governmental activities of the Office include all activities of the Office as required by law and are funded by court costs, fees paid by defendants, and grants from the state LPDB. Major expenditures of the Office, as well as revenues, for the year ended June 30, 2017 are shown below.

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Expenses:		
Salaries and related benefits	2,291,368	2,456,252
Operating services	626,700	515,651
Travel and professional development	3,335	17,075
Depreciation	<u>9,595</u>	<u>10,061</u>
Total expenses	2,930,998	2,999,039
Revenues:		
Court costs (fines and forfeitures)	305,981	251,893
Charges for services	904,902	1,071,135
State and local revenues and reimbursements	2,036,957	1,679,996
Other income	<u>50,460</u>	<u>621,918</u>
Total revenues	<u>3,298,300</u>	<u>3,624,942</u>
Change in net position	367,302	625,903
Net position, beginning of year	<u>(129,436)</u>	<u>(755,339)</u>
Net position, end of period	<u>237,866</u>	<u>(129,436)</u>

Total revenues decreased \$326,642, from total revenues in 2016 of \$3,624,942 to total revenues of \$3,298,300 in 2017. The decrease in revenues was attributable to reductions in the liabilities for compensated absences and OPEB in 2016.

In addition, total expenses decreased by \$68,041 from total expenses in 2016 of \$2,999,039 to total expenses of \$2,930,998 in 2017. This decrease was attributable to a decrease in operating services of \$123,277.

#### **CAPITAL ASSET ADMINISTRATION**

The Office's capital asset investment assists in carrying out the mandated functions of the Office. This investment, net of allowance for depreciation, as of June 30, 2017 was \$30,635. This investment includes equipment and fixtures. There were capital asset additions for the year ended June 30, 2017 in the amount of \$6,461, which were additional computer equipment.

#### **CONTACTING THE OFFICE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Office's finances and to show the Office's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the First Judicial District Public Defenders' Office's office at 400 Travis Street, Suite 2000, Shreveport, Louisiana 71101.

**AUDITED FINANCIAL STATEMENTS**

# HEARD, McELROY, & VESTAL

LLC

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December 15, 2017

The Chief Defender  
First Judicial District Public Defenders' Office  
Caddo Parish, Louisiana

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the First Judicial District Public Defenders' Office as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.





### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the First Judicial District Public Defenders' Office as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through iii and 14 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The current year's supplemental data included on Page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the Office's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

FIRST JUDICIAL DISTRICT  
PUBLIC DEFENDERS' OFFICE  
GOVERNMENT WIDE STATEMENT OF NET POSITION  
JUNE 30, 2017

<u>A S S E T S</u>	Governmental Fund Balance Sheet	<u>Adjustments</u>	Statement of Net Position
Cash	288,529	-	288,529
Receivables	159,254	-	159,254
Capital assets, net of allowance for depreciation	<u>-</u>	<u>30,635</u>	<u>30,635</u>
Total assets	<u>447,783</u>	<u>30,635</u>	<u>478,418</u>
<u>LIABILITIES AND FUND EQUITY/NET POSITION</u>			
<u>Liabilities:</u>			
Accrued compensated absences	<u>-</u>	<u>240,552</u>	<u>240,552</u>
Total liabilities	<u>-</u>	<u>240,552</u>	<u>240,552</u>
<u>Fund equity/net position:</u>			
Unassigned	447,783	(447,783)	-
Net position:			
Invested in capital assets	-	30,635	30,635
Unrestricted	<u>-</u>	<u>207,231</u>	<u>207,231</u>
Total fund equity/net position	<u>447,783</u>	<u>(209,917)</u>	<u>237,866</u>
Total liabilities and fund equity/net position	<u>447,783</u>	<u>30,635</u>	<u>478,418</u>

The accompanying notes are an integral part of the financial statements.

FIRST JUDICIAL DISTRICT  
PUBLIC DEFENDERS' OFFICE  
GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Fund Statement of Revenues and <u>Expenditures</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
<u>Expenditures/Expenses:</u>			
Judiciary:			
Personal services	2,087,064	-	2,087,064
Related benefits	204,304	(50,084)	154,220
Travel and professional development	3,335	-	3,335
Operating services	633,161	(6,461)	626,700
Depreciation	<u>-</u>	<u>9,595</u>	<u>9,595</u>
Total expenditures/expenses	2,927,864	(46,950)	2,880,914
<u>Program revenues:</u>			
Charge for services	904,902	-	904,902
Other charges	<u>305,981</u>	<u>-</u>	<u>305,981</u>
Net program revenues	1,210,883	-	1,210,883
<u>General revenues:</u>			
State and local revenues and reimbursements	2,036,957	-	2,036,957
Investment earnings	<u>376</u>	<u>-</u>	<u>376</u>
Total general revenues	<u>2,037,333</u>	<u>-</u>	<u>2,037,333</u>
<u>Excess of revenues over expenditures/     expenses</u>	320,352	46,950	-
<u>Change in net position</u>	-	-	367,302
<u>Fund equity/net position (deficit):</u>			
Beginning of year	<u>127,431</u>	<u>(256,867)</u>	<u>(129,436)</u>
End of year	<u><u>447,783</u></u>	<u><u>(209,917)</u></u>	<u><u>237,866</u></u>

The accompanying notes are an integral part of the financial statements.

FIRST JUDICIAL DISTRICT

PUBLIC DEFENDERS' OFFICE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

**Introduction**

The First Judicial District Public Defenders' Office was established in compliance with Louisiana Revised Statutes 15:141-185.9 to provide and compensate counsel appointed to represent indigents in criminal and quasi-criminal cases on the district court level. The Judicial District encompasses the parish of Caddo, Louisiana.

The First Judicial District Fund is domiciled in Caddo Parish, Shreveport, Louisiana. All records of proceedings and official actions (all paper, documents, and records) are kept in Shreveport, Louisiana.

The First Judicial District Public Defenders' Office employs 51 people. There are 31 full-time staff attorneys and 20 contract attorneys. All employees are salaried.

**1. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying basic financial statements of the First Judicial District Public Defenders' Office have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, issued in June 1999.

**Financial Reporting Entity**

For financial reporting purposes, in conformity with GASB Statement No. 14, the First Judicial District Public Defenders' Office is part of the operations of the Louisiana Public Defender Board. The Louisiana Public Defender Board was established as a state agency to provide supervision, administration, and delivery of a statewide public defender system that is independent of local politics. The Public Defenders' Office is financially independent and operates autonomously from the State of Louisiana and independently from the Louisiana Public Defender Board. Therefore, the Office reports as an independent reporting entity and the financial statements include only the transactions of the First Judicial District Public Defenders' Office.

**Fund Accounting**

The Public Defenders' Office uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain board functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

Governmental funds account for all of the Public Defenders' Office's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used.

## 1. Summary of Significant Accounting Policies (Continued)

Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund equity. In general, fund equity represents the accumulated expendable resources which may be used to finance future period programs or operations of the Office. The unassigned balance under fund equity of the Governmental Funds Statement of Revenues and Expenditures represents the increases and decrease in the funds expendable resources. The following are the Office's governmental funds:

**General Fund:** The General Fund is the primary operating fund of the Public Defenders' Office and it accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to board policy.

### Measurement Focus and Basis of Accounting

#### ***Fund Financial Statements***

The amounts reflected in the General Fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of Public Defenders' Office operations.

The amounts reflected in the General Fund use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Public Defenders' Office considers all revenues available if they are collected within 30 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available resources. The governmental funds use the following practices in recording revenues and expenditures:

**Revenues:** Court costs on fines and forfeitures imposed by the district and city courts are recorded in the year they are collected by the tax collectors and city courts within the judicial district. Interest earned in investments is recorded when the investments have matured and the income is available. Grants are recorded as revenue during the period in which the related expenditures are incurred. Substantially all other revenues are recorded when received.

**Expenditures:** Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

#### ***Government-Wide Financial Statements***

The government-wide financial statements (GWFS) (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Office.

The content and certain titles of the GWFS were changed upon the adoption by the Office in 2013 of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred*.

1. **Summary of Significant Accounting Policies** (Continued)

*Inflows of Resources, and Net Position.* This statement provides reporting guidance for deferred outflows of resources and deferred inflows of resources, and adds them, when applicable, as elements of the GWFS, because they are distinct from assets and liabilities. In addition, because these additional elements may affect the residual amount of all of the elements presented in a statement of financial position, GASB 63 renames that measure as net position rather than net assets. The Office had no deferred outflows or inflows of resources at June 30, 2017.

Accordingly, the statement of net position presents information on all of the Office's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Office is improving or deteriorating.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. There are no indirect expenses allocated to this function. Depreciation expense is included in the direct expense of the function. Program revenues, if any, include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Other items, such as interest income, not properly included among program revenues are reported instead as general revenues.

Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program revenues included in the column labeled Statement of Activities are derived directly from board users as a fee for services. Program revenues reduce the cost of the function to be financed from the Office's general revenues.

The reconciliation of the items reflected in the fund column to the Statement of Net Position and Statement of Activities are as follows:

Fund Equity, Governmental Fund	447,783
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	30,635
Liabilities for accrued compensated absences that are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(240,552)</u>
Net Position of Governmental Activities	<u>237,866</u>
Excess of revenues over expenditures, Governmental Fund	320,352

1. **Summary of Significant Accounting Policies** (Continued)

Income deriving from the reduction of compensated absences liability reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported as income in the governmental funds. 50,084

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (3,134)

Change in Net Position of Governmental Activities 367,302

**Cash and Cash Equivalents**

Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of three months or less from the date of acquisition. Under state law, the Public Defenders' Office may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

**Capital Assets**

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets and their estimated fair market value at the date of donation. The Public Defenders' Office maintains a threshold level of \$1,000 or more for capitalizing capital assets. For capital asset additions over \$10,000, State Board approval is required.

Capital assets are recorded in the Statement of Net Position and Statement of Activities. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture and fixtures	5-15 years
Computer equipment	5 years

**Compensated Absences**

Employees are granted PTO based upon years of employment. During fiscal year ended June 30, 2017, the Office of the Public Defenders paid time off (PTO) policy was updated to limit the amount of accumulated PTO available for future use to 5 days. PTO earned under the current policy is not eligible to be paid upon separation of employment.

All unused vacation days accumulated prior to adoption of the new policy will continue to be held by the employee who carry it over until used by the employee and are eligible to be paid upon separation of employment. Amounts reflected as accrued compensated absences in the government wide statement of net assets represents these amounts.

1. **Summary of Significant Accounting Policies** (Continued)

**Net Position**

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of any related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. **Budgets**

The Public Defenders' Office followed the following budget practices, as of June 30, 2017:

- (a) The District Defender prepares a proposed budget and submits same to the Louisiana Public Defender Board no later than fifteen days prior to the beginning of each fiscal year. The Louisiana Public Defender Board must approve proposed budget before adoption by the Defenders' Office.
- (b) The public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- (c) A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted prior to the commencement of the fiscal year for which the budget is being adopted.
- (d) Effective August 15, 2007, budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases or decreases in expenditures resulting from revenues exceeding or failing to meet amounts estimated are submitted to Louisiana Public Defenders' Board.
- (e) Budgetary appropriations lapse at the end of each fiscal year.

The original budget was not amended for the year ended June 30, 2017.

3. **Cash and Cash Equivalents**

At June 30, 2017, the Public Defenders' Office had cash and cash equivalents (book balances) as follows:

Interest-bearing demand deposits	288,529
Petty cash	-
	<u>288,529</u>



3. **Cash and Cash Equivalents** (Continued)

These deposits are maintained in the Caddo Parish Commission's pooled cash account. All deposits of the Caddo Parish Commission are held by area financial institutions. Under state law, cash deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the securities plus the federal deposit insurance must at all times equal the amount of the deposit with the fiscal agent. At June 30, 2017, the Caddo Parish Commission's deposits with banks were fully secured by federal deposit insurance and securities held by the pledging financial institution.

4. **Receivables**

Receivables of \$159,254 at June 30, 2017 result from items classified as Program Revenues, Other Charges in the general fund and General Revenues, State Grants.

All receivables are considered fully collectible and, therefore, no allowance for uncollectible amounts is provided. If amounts become uncollectible, they are charged to operations when that determination is made.

5. **Capital Assets**

Capital assets and depreciation activity as of and for the year ended June 30, 2017, are as follows:

	Beginning Balance <u>6/30/16</u>	<u>Increase</u>	<u>Decrease</u>	Ending Balance <u>6/30/17</u>
Governmental Activities:				
Computer equipment	153,654	6,461	-	160,115
Furniture and fixtures	164,110	-	-	164,110
Equipment	<u>136,428</u>	<u>-</u>	<u>-</u>	<u>136,428</u>
Total	454,192	6,461	-	460,653
Less accumulated depreciation	<u>(420,423)</u>	<u>(9,595)</u>	<u>-</u>	<u>(430,018)</u>
Capital assets, net	<u>33,769</u>	<u>(3,134)</u>	<u>-</u>	<u>30,635</u>

6. **Pension and Deferred Compensation Plans**

Under the guidelines established in accordance with the Internal Revenue Code Section 457, employees of the Public Defenders' Office participate in the Caddo Parish Public Defenders' 457 401(a) Plan. The 401(a) Plan and contributions to the pre-existing 457 Deferred Compensation Plan are administered by Security Benefit Retirement Corporation. The 401(a) Plan supersedes all other existing plans to which the Public Defenders' Office contributes. The Plan is governed by the laws of the State of Louisiana and is available to all full-time employees.

The amount of monthly contribution for each participating employee under the 401(a) Plan must be greater than or equal to that percent of the employee's compensation which the federal government would require withheld for the Federal Social Security System for employees not participating in a qualified retirement plan. At no time may the contribution fall below 7.5% of the compensation. Vesting provisions allow a participant to be fully vested in the employer's contributions after seven (7) years of service, with the participant eligible to receive distributions from the Plan upon normal retirement, death, or permanent disability.

6. **Pension and Deferred Compensation Plans** (Continued)

It is the opinion of the Public Defenders' legal counsel that the Office is not liable for losses arising from depreciation or shrinkage in the value of any investments acquired under the deferred compensation plan. However, the Public Defenders' Office believes it has the duty of care that would be required of an ordinary prudent investor.

For the year ended June 30, 2017, the Public Defenders' Office had deferred compensation expense of \$31,575.

7. **Leases**

The Public Defenders' Office leases office space and office equipment at the Caddo Parish location. The Office incurred \$254,037 in lease expense for the year ended June 30, 2017. Office space is leased for a term of 120 months (10 years) at an approximate annual expense of \$242,609.

Office equipment is leased for terms ranging from 36 months to 60 months (3 to 5 years) at an approximate annual expense of \$11,428. The future minimum lease payments for the next five years are as follows:

2018	249,243
2019	255,041
2020	257,127
2021	56,732
2022	18,911
	<u>837,054</u>

8. **Governmental Fund Revenues and Expenditures**

Revenues:

**State Government**

Appropriations-general	-	
Appropriations-special	-	
Revenue sharing	-	
Grants	1,932,366	
On-behalf payments	-	
Other	-	
Total		1,932,366

**Local Government**

Appropriations-general	-	
Appropriations-special	-	
Grants	-	
Statutory fines, forfeitures, fees, court costs, and other	410,572	
Taxes-mileages, sales, special, and other	-	
Criminal court fund	-	
On-behalf payments	-	
Other	-	
Total		410,572

8. **Governmental Fund Revenues and Expenditures** (Continued)

<b>Federal Government</b>		
Grants-direct	-	
Grants-indirect	-	
Total		-
<b>Other Grants and Contributions</b>		
Non-profit organizations	-	
Private organizations	-	
Corporate	-	
Total		-
<b>Charges for Services</b>		904,902
<b>Investment earnings</b>		376
<b>Miscellaneous</b>		-
Total Revenues		<u>3,248,216</u>
Expenditures:		
<b>Personnel Services and Benefits</b>		
Salaries	2,087,064	
On-behalf payments-salaries	-	
Retirement contributions	31,575	
On-behalf payments-retirement	-	
Insurance	172,729	
On-behalf payments-insurance	-	
Payroll taxes	-	
Total		2,291,368
<b>Professional Development</b>		
Dues, licenses, and registrations	800	
Travel	2,535	
Other	-	
Total		3,335
<b>Operating Costs</b>		
Library and research	18,188	
Contract services-attorney/legal	234,326	
Contract services-other	22,264	
Lease-office	242,609	
Lease-autos and other	11,428	
Insurance	19,646	
Supplies	11,102	
Repairs and maintenance	-	
Utilities and telephone	16,566	
Other	57,032	
Total		633,161

8. **Governmental Fund Revenues and Expenditures** (Continued)

Debt Service	-
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Capital Outlay	<u>-</u>
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Total Expenditures	<u>2,927,864</u>
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9. **Subsequent Events**

We evaluated events and transactions that occurred after the balance sheet date through the date the financial statements were made available to be issued for potential recognition or disclosure in the financial statements. We evaluated such events through December 15, 2017 and noted no subsequent events.

**REQUIRED SUPPLEMENTARY INFORMATION**

FIRST JUDICIAL DISTRICT  
PUBLIC DEFENDERS' OFFICE  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2017  
(Unaudited)

	<u>Original Annual Budget</u>	<u>Amended/ Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
<u>Revenues:</u>				
Fines and forfeitures	176,603	176,603	305,981	129,378
Fees from indigents	1,062,106	1,062,106	904,902	(157,204)
State and local revenues and reimbursements	2,037,529	2,037,529	2,036,957	(572)
Investment earnings	-	-	376	376
Total revenues	<u>3,276,238</u>	<u>3,276,238</u>	<u>3,248,216</u>	<u>(28,022)</u>
<u>Expenditures:</u>				
Salaries	1,999,682	1,999,682	2,087,064	(87,382)
Retirement contributions and related benefits	132,876	132,876	31,575	101,301
Group health insurance	192,000	192,000	172,729	19,271
Library and research	29,000	29,000	18,188	10,812
Contract services-attorney/legal	502,630	502,630	234,326	268,304
Contract services-other	33,300	33,300	22,264	11,036
Lease-office and other	270,000	270,000	254,037	15,963
Education, travel and training	41,000	41,000	3,335	37,665
Insurance	22,500	22,500	19,646	2,854
Supplies	15,000	15,000	11,102	3,898
Other	<u>38,250</u>	<u>38,250</u>	<u>73,598</u>	<u>(35,348)</u>
Total expenditures	<u>3,276,238</u>	<u>3,276,238</u>	<u>2,927,864</u>	<u>348,374</u>
<u>Excess of revenues over expenditures</u>	-	-	320,352	320,352
<u>Fund balance-July 1, 2016</u>	<u>(76,482)</u>	<u>127,431</u>	<u>127,431</u>	<u>-</u>
<u>Fund balance-June 30, 2017</u>	<u>(76,482)</u>	<u>127,431</u>	<u>447,783</u>	<u>320,352</u>

FIRST JUDICIAL DISTRICT

PUBLIC DEFENDERS' OFFICE

NOTES TO BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2017

(Unaudited)

1. Budget  
Refer to Note 2 of the financial statements for details regarding the budget process.
2. Budget Variances  
Actual total revenues were below budgeted revenues by 0.86%, and actual expenses were 10.63% below budgeted expenses. The Louisiana Revised Statute 39:13:11 requires an amendment to the Public Defenders' Office's budget when receipts plus projected revenue collection for the year fail to meet budgeted revenues by 5% or more, or when actual expenditures plus projected expenditures to year end exceed budgeted expenditures by 5% or more.

## **SUPPLEMENTARY INFORMATION**



FIRST JUDICIAL DISTRICT  
PUBLIC DEFENDERS' OFFICE  
SUPPLEMENTARY INFORMATION IN ACCORDANCE WITH  
LOUISIANA REVISED STATUTE 24:513(A)(3) (ACT 706 OF 2014)  
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD  
FOR THE YEAR ENDED JUNE 30, 2017

Agency Head: Pamela Smart (7/1/16 – 6/30/17)

Salary	100,000
Benefits-insurance-health	5,186
Benefits-other-simple IRA plan	8,000
Dues	100
Reimbursements	1,144

**OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

# HEARD, McELROY, & VESTAL

—LLC—

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525  
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318-429-1525 PHONE • 318-429-2070 FAX

December 15, 2017

The Chief Defender  
First Judicial District Public Defenders' Office  
Caddo Parish, Louisiana

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the First Judicial District Public Defenders' Office (Office) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements and have issued our report thereon dated December 15, 2017.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Office's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-01 to be a material weakness.



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Office's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**First Judicial District Public Defenders' Office's Response to Findings**

First Judicial District Public Defenders' Office's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. First Judicial District Public Defenders' Office's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

FIRST JUDICIAL DISTRICT  
PUBLIC DEFENDERS' OFFICE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

**A. Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the First Judicial District Public Defenders' Office.
2. One material weakness is reported for the year ended June 30, 2017.
3. The First Judicial District Public Defenders' Office was not subject to a Federal Single Audit for the year ended June 30, 2017.

**B. Findings - Financial Statement Audit**

**2017-01 Internal Controls With Regard to Financial Reporting**

*Condition and Criteria:* As is common in small operations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the annual financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor has management demonstrated an ability to perform these functions in-house. This condition, even though intentional, represents a material weakness in internal control under generally accepted auditing standards, and results from management's need to balance the entity's financial complexity with the appropriate level of accounting expertise. It is not cost-effective for the entity to prepare its financial statements in-house.

*Effect and Recommendation:* Although generally accepted auditing standards require preparation of year-end adjusting entries and financial statements with note disclosures by the audited entity, prudent management dictates that the potential benefit from an internal control must exceed its cost. In this case, both management and the auditor do not believe that curing the control deficiency is cost effective, and do not believe that any corrective action is required.

FIRST JUDICIAL DISTRICT  
PUBLIC DEFENDERS' OFFICE  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

**Prior Findings – Financial Statement Audit**

**2016-01 Internal Controls With Regard to Financial Reporting**

*Condition and Criteria:* As is common in small operations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the annual financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor has management demonstrated an ability to perform these functions in-house. This condition, even though intentional, represents a material weakness in internal control under generally accepted auditing standards, and results from management's need to balance the entity's financial complexity with the appropriate level of accounting expertise. It is not cost-effective for the entity to prepare its financial statements in-house.

*Effect and Recommendation:* Although generally accepted auditing standards require preparation of year-end adjusting entries and financial statements with note disclosures by the audited entity, prudent management dictates that the potential benefit from an internal control must exceed its cost. In this case, both management and the auditor do not believe that curing the control deficiency is cost effective, and do not believe that any corrective action is required.

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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December 19, 2017

The Chief Defender  
First Judicial District Public Defenders' Office  
Shreveport, Louisiana

Louisiana Legislative Auditor  
Baton Rouge, Louisiana

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by First Judicial District Public Defenders' Office (Public Defender) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. Public Defender's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

### Written Policies and Procedures

---

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.

*The entity has written policies over the budget process that lack procedures for adopting and monitoring the budget.*



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- b) Purchasing, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the public bid law, and (5) documentation required to be maintained for all bids and price quotes.

*The entity has written policies over the purchasing process. There is no documented procedure regarding how vendors are added to the vendor list.*

- c) Disbursements, including processing, reviewing, and approving.

*The entity does not have adequate written policies or procedures that deal with disbursements.*

- d) Receipts, including receiving, recording, and preparing deposits.

*The entity has written procedures covering the handling of receipts.*

- e) Payroll/personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*The entity has written policy covering payroll review and approval of time and attendance records, including leave; however, the policy does not include procedures for processing payroll.*

- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

*The entity does not have adequate written policies or procedures that deal with contracting.*

- g) Credit cards (and debit cards, fuel cards, and P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

*Not applicable, as the entity does not use credit, debit, fuel, or purchase cards.*

- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

*The entity has policies that deal with travel and expense reimbursements; however, this policy does not include procedures about allowable expenses or dollar thresholds by category of expense.*

- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

*The entity does not have adequate written policies or procedures that deal with ethics.*

- j) Debt service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*Not applicable, as the entity does not have the authority to issue debt.*



## Board (or Finance Committee, if applicable)

---

2. Obtain and review the board/committee minutes for the fiscal period, and:
  - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
  - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
    - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
  - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*As of August 2007, all public defender offices in Louisiana are offered oversight by a centralized Board located in Baton Rouge, Louisiana; therefore, there are no minutes for review.*

## Bank Reconciliations

---

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

*A list of bank accounts was obtained from management.*
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than five accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
  - a) Bank reconciliations have been prepared;

*Bank reconciliations were prepared for accounts for each month in the fiscal year.*
  - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

*No bank reconciliations had evidence of review by an independent member of management.*

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than six months as of the end of the fiscal period.

*No reconciling items greater than six months old were noted.*

## Collections

- 5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

*A listing of cash collection locations was obtained.*

- 6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

*Each person responsible for handling cash is insured. Each person responsible for collecting cash does not deposit the cash in the bank, record the cash transaction, reconcile the related bank account, or share the cash drawer with another employee.*

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

*The entity has a formal process to reconcile cash collections and various revenue billings by an independent individual.*

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

*Of the 34 cash collections selected for testing, 33 exceptions were deposited with exception as follows:*

- 3 cash collections were deposited 2 days after collection.*
- 1 cash collection was deposited 6 days after collection.*
- 2 cash collections were deposited 7 days after collection.*
- 3 cash collections were deposited 8 days after collection.*
- 5 cash collections were deposited 9 days after collection.*
- 1 cash collection was deposited 10 days after collection.*
- 1 cash collection was deposited 13 days after collection.*
- 3 cash collections were deposited 14 days after collection.*
- 3 cash collections were deposited 15 days after collection.*
- 3 cash collections were deposited 16 days after collection.*
- 3 cash collections were deposited 17 days after collection.*
- 1 cash collection was deposited 21 days after collection.*
- 4 cash collections were deposited 22 days after collection.*

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

*No exceptions were noted.*

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

*Processes are in place to determine that all operating and cash collections are complete.*

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

---

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

*A listing of disbursements made during the year was obtained.*

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement

population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

*The entity kept record of approval and initiation of purchases for all but one selected disbursement. The purchase approval and initiation duties are properly separated.*

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

*The entity does not keep record of approved purchase orders but keeps record of approved invoices.*

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

*All but two disbursements selected were supported by an approved invoice. The entity does not maintain approved purchase orders and does not employ formal receiving reports.*

- 10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

*The same individual responsible for processing payments also is responsible for adding vendors to the entity's disbursement system.*

- 11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

*Individuals with signatory authority also may initiate purchases, but may not record them.*

- 12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

*The supply of unused checks is kept in a locked, fireproof cabinet; however, the chief defender, who is responsible for signing checks, has a key to the cabinet where unused checks are located.*

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

*The entity does not use a signature stamp or signature machine.*

#### Credit Cards/Debit Cards/Fuel Cards/P-Cards

---

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

*Management represented to us that the entity has not issued any credit cards, debit cards, fuel cards, or purchase cards to any board member or staff.*

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

*Not applicable.*

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

*Not applicable.*

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

*Not applicable.*

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

*Not applicable.*

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*Not applicable.*

#### Travel and Expense Reimbursement

---

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

*A listing of all travel and related expense reimbursements, by person, during the fiscal year was obtained from the general ledger.*

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

*The entity uses the guidelines of the State of Louisiana to reimburse travel and meals. The rates for reimbursement did not exceed those stated in the guidelines.*

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

*No exceptions were noted.*

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

*No exceptions were noted.*

c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*No exceptions were noted.*

d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*One exception noted; check signed by individual receiving reimbursement.*

## Contracts

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20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

*A listing of all contracts in effect during the year was obtained.*

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

*A formal written contract supports the service arrangement and amount paid for each vendor selected.*

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

*No contract selected was subject to the Louisiana Public Bid Law or Procurement Code.*

*Due to the nature of the contracts selected, it was determined that soliciting quotes as a best practice was not considered necessary.*

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

*Original contract allowed for amendments to contracts that were amended.*

*Of the five contracts selected for testing, three were amended as follows:*

*-Contract Attorney had a pay increase of \$4,750 per month.*

*-Contract Attorney, had a pay increase of \$167 per month.*

*-Landlord, increased rent by \$91 dollars per month.*

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

*The invoice and related payment of each selected contract complied with its terms.*

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*Not applicable.*

## Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete.

*A listing of all employees and their related compensation was obtained.*

Randomly select five employees/officials, obtain their personnel files, and:



- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

*Compensation paid to each selected employee was made in accordance with the terms and conditions of his contract or pay rate structure.*

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

*Pay rate or salary changes applicable to each selected employee were approved in writing and in accordance with written policy.*

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

*All applicable employees documented their leave but not their daily attendance.*

*All applicable employees are salaried; therefore, no daily attendance records are kept or considered necessary.*

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

*Written documentation of approved leave records of all but one applicable employee is maintained.*

Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

*The entity did not maintain written leave records on all applicable employees tested.*

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

*A listing of all employees that terminated during the fiscal year was obtained. Their termination payments conformed to policy and were approved by management.*

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

*All employee and employer portions for payroll taxes and contributions, and related required reporting forms, were submitted to the applicable agencies by the required deadlines.*

#### Ethics (excluding nonprofits)

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26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

*Ethics policy is present and, for the five employees selected for testing, documentation pertaining to the completion of the required ethics training exists for all but one employee. This employee, however, was hired in June. Ethics training is traditionally completed in December.*

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

*Management represented that no alleged ethics violations were reported to the entity during the fiscal year.*

#### Debt Service (excluding nonprofits)

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28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

*Management represented that the entity does not have the authority to issue debt.*

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

*Not applicable.*

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

*Not applicable.*

#### Other

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31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*Management represented that the entity had no misappropriations of public funds or assets during the fiscal year.*

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*We observed the notice posted on the entity's website and on its premises.*

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

*Not applicable.*

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

*Heard, McElroy & Vestal, LLC*

Shreveport, Louisiana